

# **The third transformation of Lao industrial relations**

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**Simon Fry  
Faculty of Business  
University of Southern Queensland  
West Street, Toowoomba,  
Queensland 4350  
Australia.**

**Phone 61 7 4631 5496  
Fax: 61 7 4631 1533  
Email: [frys@usq.edu.au](mailto:frys@usq.edu.au)**

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### **Abstract**

This paper provides an account of industrial relations in Laos, in light of the transformation theory from the industrial relations literature. The scope of the paper is limited to employment in the formal, wage-earning sector of the civilian economy. The paper argues that the history of industrial relations in Laos can be divided into four eras: the French colonial era (1890s to 1947); the Royal Lao Government (RLG) era (1947-1975); the first decade or so of the Lao Peoples' Democratic Republic (Lao PDR) following the communist revolution in 1975; and the contemporary reform era under the New Economic Mechanism (NEM) (1986 to the present). Following the transformation literature, the paper argues that these four eras were divided by three transformations: the first of these, from the colonial to RLG regime, was incremental or gradual; the second and third were cases of discontinuous change. The first and third of the transformations, to some extent, are 'controversial.'

## INTRODUCTION

Since the mid-1980s there have been numerous analyses of the nature and extent of the changes which have occurred to different countries' systems, and whether those changes are sufficiently profound to be properly described as transformational. The conclusions reached have varied widely. As Erickson and Kuruvilla (1998) have noted, there has been no agreement about what constitutes transformation, nor what criteria should be used to determine whether a transformation has occurred.

For example, Kochan Katz and McKersie's (1980) view was that by the 1980s the US industrial relations system had been transformed because the New Deal model, which had been stable since the 1930s, was breaking down in the face of union decline and more assertive management strategies, in the context of intensified international economic competition and demands for greater flexibility. By contrast, Block (1990) and Dunlop (1993, p. 21) argued that the developments of the 1980s represented mere 'adaptations'; and the 'fundamental features...that basically distinguish the US system from other national systems' remain intact.

In a similar vein, Katz (1993) argued that a range of OECD countries' systems had been transformed on the basis of findings of decentralisation of collective bargaining due to work reorganisation. And Locke, Kochan and Piore (1995) found that transformation had occurred in a range of OECD countries on the basis of declining union density and a greater focus on enterprise-based industrial relations and flexibility. By contrast, Crouch (1993) and Hyman's (1994) studies of a similar range of OECD countries, using different criteria, found that no transformation had taken place.

A watershed in the transformation literature was provided by Erickson and Kuruvilla (1998), who reviewed the findings of the earlier studies and considered the concept of transformation more generally. They highlighted the many different criteria or bases on which writers assess whether or not a country had undergone transformation. They considered whether transformation should 'be defined in terms of legislation, formal institutional mechanisms, government economic strategies, or some combination thereof? Alternatively, should it 'be defined not in terms of industrial relations structure and process, but rather in terms of system outcomes such as diffusion of innovative workplace and compensation practices and wage drift and dispersion?' (1998, p. 6).

Erickson and Kuruvilla then sought to advance through the welter of definitions by borrowing concepts from evolutionary biology. On this basis, they argued: 'an industrial relations system undergoes a "transformation" to the extent that its "deep structure," or the network of fundamental, interdependent choices that determine the basic configuration into which its units are organized, has been changed.' (1998, p. 12). On the face of it, this clear definition represents an advance on the hitherto confusing and contradictory claims. But in one sense, it pushes the difficult question back one step, by begging the question of 'judging exactly what constitutes "deep structure" and whether it has undergone substantial change.' (p. 18) Erickson and Kuruvilla acknowledged that, even in their own work, they had used 'country-specific' indicators of deep structure. Clearly, if each country has its own indicators of deep structure, then the contentious nature of the previous, contradictory claims remain.

To this end, Erickson and Kuruvilla suggested that a 'key question for future research is whether more universal or generic constituents of deep structure can be identified'. They suggest some possible 'universal constituents of "deep structure" of industrial relations': '...(a)ttitudes towards and definitions of property rights in the workplace'; 'employer/employee relative status'; 'individualism versus collectivism', 'the nature of exchange in the labour market' and 'Changes

in the essence of employer, union, and government strategies'. They acknowledged, however, 'that further analysis would reveal a broader range of possibly pertinent elements, many of which would be subject to debate.' (1998, p. 18) Kuruvilla and Erickson further identified two types of transformations: incremental, or gradually adaptive, and discontinuous or punctuated equilibrium. They argue that 'researchers should attempt to distinguish between these' and 'be clear as to which type of transformation is occurring in each particular case.' (1998, p. 12).

On the basis of this literature, this paper argues that industrial relations in Laos has undergone three historical transformations or changes to its deep structure. The initial regime was that of the French colonial era and was characterised by extremely low levels of economic development, a miniscule indigenous labour force and labour law in the form of the Indochinese Labour Code. The first transformation, from the colonial to the RLG model, was a gradual, adaptive transformation which occurred between 1947 and the 1970s, with the development of a small industrial sector and local civil service, the replacement of colonial labour law with local legislation and the emergence of a small union movement. Thus, by the 1970s, the deep structure of the system had been transformed. The second transformation, from the RLG era to the revolutionary era in 1975 was sudden and discontinuous: the former state and all its institutions were abolished under the Lao PDR. The third transformation, to the current reform model, commenced in 1986 with the adoption of a new, more liberal economic strategy, the NEM, and is ongoing. Following a section about labour statistics in Laos, the following four sections of this paper elaborate on the key aspects of the four eras and the three transformations.

### **LAO LABOUR STATISTICS**

Unfortunately, credible statistical data is unavailable on many basic features of the Lao economy, population, and labour market throughout much of its history. A complete national census was not undertaken until 1985, and many of the surveys and studies which were undertaken were not reliable and often did not use standard international methodologies or definitions (Khan & Lee 1980; Savada 1994). Many of the usually reliable international sources to which one would normally turn, such as UNESCO *Statistical Yearbooks* (1963-1999) and the International Labour Organisation's *Yearbook of Labour Statistics* (1954-2002) are practically barren in relation to employment related information in Laos. These difficulties can be illustrated by examining the data regarding the sectoral composition of the workforce. The World Bank's *World Development Report* estimated the percentage breakdown in 1960 as follows: agriculture 83, industry 4 and services 13. This was largely unchanged in 1990 at 80, 6 and 14. By contrast other authorities have estimated the 'subsistence agriculture' sector at 95 per cent in the mid 1960s (Le Bar & Suddard); and agriculture at 85 per cent in 2001 (ADB 2001) and 2002 (UNIDO 2002).

Notwithstanding the inadequacies of the statistical information, it is safe to say that throughout its history, the level of economic human resource development in Laos has been at very low by international standards and Laos remains a predominantly agrarian society. The World Bank estimated annual GNP per capita at \$US90 in 1976. This placed Laos among the bottom three countries in the Bank's 'low-income' group. By 2003, GNI was \$US320 per capita, which was somewhere in the middle of the 'low income' group. Similarly, life expectancy in 1975 was a mere 40 years, which was higher than just a handful of African countries such as Ethiopia and Mali (38 years). By 2002, this had improved to 55 (World Bank 1978-2004).

### **ERA 1: THE COLONIAL ERA 1893-1947**

The initial regime of industrial relations was that of the French colonial era. By the end of this era, Laos was characterised by extremely low levels of economic development. This was partly

because the French never regarded Laos as an independent economic entity worthy of development in its own right, but as a 'mere hinterland' or buffer zone for the main French possession in Indochina, Vietnam (Stuart-Fox 1997, p. 29). Moreover, because the French regarded the Lao as lazy, unreliable workers, they imported Vietnamese workers for what little administrative or other work there was, including clerical workers and the *Garde indigene*. By the time of the RLG, there were a mere '400 civil servants and 700 technical cadres' in the entire country (Stuart-Fox 1997, p. 69).

The only significant industry that developed during the colonial era was during a brief tin mining boom in the 1920s and 1930s. At one point, the mines employed 6000 workers, the vast majority of whom were immigrant Vietnamese. Gunn (1988) provides an account of a spate of strikes and other forms of labour agitation by unions and other less-organised groups of employees in Laos during 1936-37. The largest disputes were in the tin mines where Vietnamese 'coolies' demanded improved wages and conditions and adherence to the new labour codes. Other disputes involving mostly Vietnamese workers in lumberyards, construction sites, farms and workshops also occurred. Many of these were coordinated by Vietnamese agents of the Indochinese Communist Party. These agents were also able to make common cause with local Laotians on issues of corvée (forced) labour and anti-imperialism. This era of radicalism seems to have rapidly abated and there were no similar periods of labour organisation or agitation until 1974-1975.

Labour law during the French era was governed by the French Indochina Labor Code, which was enacted between 1929 and 1937. The Code provided some basic labour protections: it prohibited forced labour, and regulated female work, child labour, working hours, health and safety, daily minimum wages, apprenticeships, individual employment contracts, annual leave, rest days, night work and underground work (Roberts et al 1967). The Code also provided for a simple conciliation and arbitration board and process for labour disputes. In 1937 a General Inspectorate of Labor and Social Welfare was created by the French colonial authorities to administer and enforce the labour regime in Indochina 'through local agencies in each of the associated states' However, no such institution was created in Laos 'because labor affairs in that territory were of little importance.' During the colonial period labour unions were legally prohibited throughout Indochina (Roberts et al 1967, pp. 239-242).

## **ERA 2: ROYAL LAO GOVERNMENT ERA 1947-1975**

The first transformation of Lao industrial relations, from the colonial model to the RLG model, was an 'adaptive' transformation which occurred gradually between the late 1940s and the 1970s. The coming of self-government and then independence for Laos at least saw the adoption of a nominal commitment to national economic development. Although most plans remained unachieved, a small industrial sector developed, sheltered by protective tariffs. These mostly small factories and mills utilised rudimentary technology to produce basic foodstuffs and household goods such as nails candles and barbed wire (Whitaker et al 1972). The industrial workforce in 1975 had grown to an estimated 15,000 workers. (Stuart-Fox 1986)

There was also some manufacturing in the Pathet Lao controlled areas, despite the extreme difficulties experienced, including being subjected to one of the heaviest aerial bombardments by US forces in the history of warfare. These operations produced basic household products, clothing, farming implements and the like and were often conducted in caves or at night to avoid detection by US bombers (Whitaker et al 1972). There is little available information on the exact nature of the industrial relations in the Pathet Lao areas during this time.

But the current Lao Federation of Trade Unions was established by the Politburo in 1966 in Pathet Lao controlled Huaphan province, with an initial membership of 35 (Panyith 2006).

Self-rule also saw the creation of a local government administration. Naturally, the Laotian government reversed the preference for Vietnamese and French nationals in public administration; and a much greater commitment was made to education (Whitaker et al 1972). By 1968 there were about 21,000 public service employees of whom about 40 per cent were in the Ministry of Education (Bleecker & Bell 1970). Public sector employment was not subject to the general labour code (Labour Code 1971, Section 1), but was subject to specific a system of regulation, which bore all the internal labour market hallmarks of a typical public service. Thus, royal ordinances of 1949 and 1957 created general conditions of employment, ranking systems, promotions, and the National Pension Service which provided retirement, disability and survivors' benefits to public sector employees (Whitaker et al 1972).

The inherited colonial labour laws were not totally replaced until 1967, although the prohibition on unions was removed in 1950. The 1967 legislation mostly consolidated the existing legal provisions, but also provided for the legal foundation of for a workers' compensation system and a Department of Labour (Roberts et al 1967). A further Act in 1971 was largely a consolidation of the previous legislation, but provided a qualified right to strike. These laws were mostly irrelevant to the majority of workers in the private sector, whose wages and conditions were set unilaterally by management in light of prevailing labour market conditions. In the context of chronic shortages of skilled labour in the country, and the minimal conditions stipulated in the law, most 'wage labor employers of any importance...generally complied with most of the applicable provisions of the Code' (Roberts et al 1967, p. 239). In terms of enforcement, the independent RLG's efforts were not much better than the French administration. Although a Department of Labor was created in 1965, it had a miniscule budget and a staff of five, which conducted very few inspections (Whitaker et al 1972).

One account of Lao society from 1967 noted that the liberalisation of the laws regarding trade unions from the 1950s 'had shown few results' at that point (Roberts et al 1967) and the only significant union was the Laos Civil Servants' Union. This union was founded in 1959 and by 1970 it had 16,000 members which represented 80 percent of government employees (Bleecker & Bell 1971). Up until the 1970s, this was a moderate union led by senior personnel from the government and its policies tended to support the government of the day. It confined its activities to 'provid[ing] channels for submitting members' grievances to the appropriate ministry in Vientiane for resolution' and 'seeking increases in salaries and benefits for government employees', although it did not engage in formal collective bargaining. Roberts et al (1967, p. 243) state that this was 'not a militant organization.' According to Roberts et al, the only other union in 1966 was the Association of Lao Employees in the American Missions. Again, this union's relations with the agencies were generally harmonious. (1967). Its membership was approximately 600 in 1970, out of a total of 3,619 eligible employees (Bleecker & Bell 1970).

By the early 1970s, the Pathet Lao had managed to both infiltrate and control the public service union and to have created several other new unions (Zasloff 1973; Whitaker et al 1972). These organisations played a small part in the lead up to the revolution, when the Pathet Lao was applying pressure to the failing Coalition government in 1974 and 1975, through well-orchestrated demonstrations and strikes (Stuart-Fox 1997). Evans (2002, p. 171) writes that in 1974, the NLHX (Pathet Lao front organisation) 'used their infiltration of labour organisations in the capital to launch a rash of strikes over July and August, playing on discontent over pay in the deteriorating economic conditions.' The upsurge in industrial disputation that ensued included strikes by traffic police, municipal workers, workers at the Lao Wood Factory and hospital staff.

### ERA 3: THE POST-REVOLUTIONARY PERIOD 1975-1986

The second transformation, from the RLG model to the revolutionary model in 1975, was sudden and discontinuous. Following the Pathet Lao victory, the former state was abolished and its constitution and laws became inoperative (Cochran nd). This of course included all labour law. The intention was to transform Laos into a socialist system under the leadership of the LPRP. For the next 10 to 15 or so years, Laos lacked a system of government and laws in the conventional western sense. A new constitution was not promulgated until 1991. In the meantime, the country was a 'people's democratic dictatorship'. Real power was vested totally in the LPRP and although there were various state bodies with ostensible administrative and legislative roles, they were subordinate to the Party, whose decisions were effectively law.

I am not aware of any such 'law' in the area of industrial relations other than various socialist-style rights and obligations such as the right 'to exercise ownership by means of mass organizations', while 'economic rights' included 'the right to work', and the obligation and honour 'to perform physical labour.' (Pasason 1982; Cochran nd: p. 9.180.24)

The LPRP immediately embarked on establishing an economy based on the Soviet model of central planning and collectivised agriculture. The bulk of industrial and service firms including the banking system were nationalised by 1976. By 1987 there were 257 public sector industrial enterprises, but 'virtually no private industrial enterprises' (Bourdet 2000, p. 20), apart from a few small private workshops and handcraft operations. The country suffered an acute economic crisis during this time, particularly during the early years, which saw the virtual collapse of the urban economy, rampant inflation and currency devaluations, falling production in whatever industry remained, and shortages of most key commodities (Chanda 1982).

Of the pre-1975 unions, only the LFTU survived the transition to communism. The nature and role of the LFTU during this time precisely conformed to what is described as the 'transmission belt' role of unions in other socialist countries such as China: the unions served 'as state bureaucracies assigned the contradictory function of representing the interests of both the workers and the Party-state.' However, 'in a system where all the sectoral interests have been subordinated to the Party-state, in reality the "belts" could only transmit top-down information and directives.' Consequently, although they 'claimed to protect the rights of workers, they were prevented from having a chance to act out this bottom-up function.' (Chan & Norland 1988, p. 173) As an official 'mass organisation', the LFTU's role was 'to help mobilize the people to build socialism and defend the nation. In this respect, it share[d] the same goals as the LPRP and, being controlled by the LPRP, serve[d] as a tool of the party.' (Cochran nd: p. 9.180.21) The President of the LFTU, along with the heads of other mass organisations and key government ministries, was given membership of the Central Committee of the LPRP. By one estimate, the LFTU 'probably represented no more than 20,000 workers' in December 1983 (Stuart-Fox 1986, p. 89).

Wage and salary earners, now confined almost entirely to the public service and nationalised enterprises, bore the brunt of the economic crisis after 1975. Inflation and currency devaluations quickly reduced salary levels to a fraction of their former value and even basic foodstuffs were unaffordable or simply unavailable (Stuart-Fox 1996). Many employees were forced to resort to self-sufficiency in food, which was encouraged by the government. The government also instructed all government departments to establish their own farms and, 'shops were opened in every ministry, to provide employees with essentials at low prices'. (Chanda 1982, p. 118) The salaries of civil servants were paid, in part, by way of coupons that could be

redeemed in the public distribution system. For much of this era, the government's response to the economic crisis included the operation of a prices and incomes or wages policy, mixing policies of five-fold wage increases, wage freezes, non-payment or delayed payment of salaries, price controls and subsidies on essential goods, all to little avail (Chanda 1982).

One of the themes in the economic analyses of Laos in this time is that that wages, staffing levels and so on were determined by means other than performance, with relatively low levels of wage dispersion (Radetzki 1994; Bourdet 2000; Stuart-Fox 1996).

#### **ERA 4: CONTEMPORARY REFORM 1986 - PRESENT**

The third transformation of Lao industrial relations commenced in 1986 when the LPRP Government, like its counterpart communist governments in China and Vietnam, undertook a radical about-face in economic policy. Under the NEM it has sought to achieve economic development through economic liberalisation, the creation of an export-oriented market economy and legal reform. The intention now was to create an open, market economy, based on private enterprise, international trade, foreign investment, tourism and domestic competition. Most accounts of the policy also emphasise that a key role was assigned to the notion 'that wages should be determined by performance.' (Bogdan 1991, p. 104)

Like its counterparts in China and Vietnam, economic liberalisation in Laos has not been accompanied by an equivalent political liberalisation and democratisation, and the LPRP maintains a monopoly of political power. The system continues to lack free elections, opposition parties, free speech, and an independent media. Laos' performance on labour rights, including the prohibition on strikes, freedom of association, trade union assembly and collective bargaining is still routinely condemned by a range of international bodies, including the United Nations (2004) and the International Confederation of Free Trade Unions (2004).

The economic reform measures have met with not inconsiderable success. The Lao economy grew at an average rate of 6.3 per cent per annum throughout the 1990s, and exports grew by 15 per cent per year over the same period (World Bank 2004). Growth in output in industry averaged 10.7 per cent from 1990 to 2003; and growth in manufacturing output averaged 11.1 per cent from 1990 to 2003 (World Bank 2005). In 2001 manufacturing employment in the formal sector totalled around 100,000 persons, or about 4 per cent of the total workforce. Two manufacturing sub-sectors dominate the output of the sector: wood and wood products, with a 32% share of gross output; and 'garments', with 31 per cent of total output (UNIDO 2003). There were virtually no manufactured exports prior to 1989, but by around 1999 the export garment industry alone employed 22,000 workers and generated around \$US100 million in export revenue (UNIDO 2003). Between 1992 and 2001, the agricultural sector's share of GDP declined from 61.9 to 51.3 per cent; while the industrial sector (including mining, manufacturing, construction and electricity) grew from 17.8 to 23.6 percent. Manufacturing alone grew from 13.4 to 17.9 and services grew from 20.4 to 25 per cent. (UNIDO 2003)

Laos' extremely low labour costs, even relative to its other developing countries, have been instrumental in the development of much of the Lao manufacturing sector. In 1999, the average annual labour cost for Laos was \$US400, which put it in the same bracket as Nepal and Sri Lanka, but well below other Southeast Asian countries such as Thailand (\$US2,400) and Malaysia (\$US4,800). Gross output per Lao employee was proportionately low (UNIDO 2003).

If export-oriented manufacturing represents the low-wage end of the new industrial sector, then the mining sector, dominated by a handful of large foreign operations represents the other end of the spectrum. The gold and copper mines in Sepon, owned by Australian company



Oxiana are the largest. Oxiana employs around 1500 Laotian workers on relatively good wages and conditions, provides extensive training and even has an employee share ownership incentive scheme for its workers (Trounson 2005).

Following the adoption of the NEM, it quickly became clear, with the urging of world financial bodies, that the country's socialist legal system was a key impediment to attracting foreign investors. Within a few years, several new business laws had been passed; among the first was the *Labour Law* of 1990. It had application in all organisations, both public and private. It established the right for employers to employ workers and set out the responsibilities and functions of the parties: employers were to take responsibility for the living standards of their worker and were given authority over the 'internal administration of the workers' and the 'rule[s] of work' – all reassuring for any prospective investor in Laos. It prohibited forced labour, stipulated the form of labour contracts, and set rules for probation, working hours, overtime, holidays, female and minor labour, form of payment of wages, health and safety, compensation for industrial accidents and diseases and retirement benefits. It also set the legal basis for a government agency to regulate and monitor labour.

Some provisions were a response to the wider economic changes underway. For example, Article 13 attempted to liberalise or extend employers' rights to terminate redundant employees, while at the same time clarifying and extending the requirements on employers seeking to lay off redundant employees. Article 39 granted 'privilege to salary and or wage' debts in the event of corporate failure. The law also gave legal sanction to the 'transmission belt' status and role of the monopoly union, emphasising its political and production roles as well as its role in 'settling down the dispute in labour activities' (sic) (Article 7). The Act provided for a legally determined minimum wage; and a simple arbitration mechanism for solution of labour disputes - a committee of the employer's representative, the workers or trade union and the representative of the Labour agency- or failing that, resolution by the Labour Agency or courts.

The goal of establishing a legal basis for the market economy was further emphasised by the new Constitution which was finally adopted in 1991. It stated Laos protects and promotes all forms of state and individual ownership of both domestic investors and foreigners; and that 'economic management is carried out according to the mechanisms of the market with the adjustment by the state' (Article 16). Employees were required 'to implement labour discipline' (Article 34). Few of the economic rights from the early 1970s made it in. The Constitution also enshrined the role of the LFTU, which was empowered, along with other official 'mass organizations' and the president, the government and the Supreme Court, with 'the right to propose and draft laws.' (Article 46)

A revised Labour law, promulgated in 1994, mostly consolidated the previous 1991 law, but it did have some significant changes, particularly in liberalising and clarifying the law regarding hiring and termination of employment. The new law also made more explicit the roles and rights of trade unions. The two-way transmission belt role in politics and production were clear. It stated that union representatives 'shall be responsible within their labour unit for promoting solidarity, training and mobilization of workers with regard to labour discipline; work performance according to production plans established by the labour unit'. They were also responsible for the more conventional advocacy roles of unions. This included, 'presentation of any claims regarding compliance with labour regulations and contracts of employment by the employer'; undertaking 'negotiations with the employer on matters relating to salaries, hours of work, working conditions, and the social security system'; and participation in the settlement of labour disputes. A new section, 'prohibition of work stoppages' rendered industrial action illegal in almost every conceivable circumstance and subject to legal sanction.

Significant changes have also occurred in public sector employment since 1986. One of the initial steps of the NEM was the commercialisation of many state enterprises (SOEs) followed by a policy of privatization. By 1992, there were 6,000 workers employed in privatized SOEs, with 10,000 employees in the remaining SOEs (World Bank 2004). In addition, between 1987 and 1992 the civil service was significantly downsized, with the number of non-military public servants declining by 23 per cent (Bourdet 2000) from around 96,000 to 74,000. However, civil service numbers had climbed back to 90,070 by 2003 (Lao PDR 2003).

The civil service was included in the jurisdiction of the initial Labour Law of 1989, but was excluded from the subsequent 1994 law. Instead, other specific laws and measures were introduced from the early 1990s to regulate the civil service with the intention of bringing the management of the state under the rule of law, centralising the management of government staff (Lao PDR 2003), and modernising and improving the efficiency and professionalism of the service. The Department of Public Administration and Civil Service was created by decree in 1992. In 1992, a job classification system based on education and comprising 6 ranks and 15 steps within each rank was introduced (UNPAN 1996). Moreover, '[i]n 1993, a system of pay and allowances for civil servants was developed in order to move away from the previous system of benefits in kind.' (Lao PDR 2003, p. 11) Other changes included: the devolution of responsibility for hiring and promotion to departments; facilitation of interdepartmental transfers; and introduction of formal disciplinary procedures.

Further reforms were wrought by new civil service decrees of 2003 (No. 124/PM; and No. 82/PM 23). The role of the Central Committee of Organisation and Personnel of the ruling LPRP in closely monitoring all personnel management affairs in the civil service was removed, except for oversight of the high leadership of the government, thereby achieving some separation of the party from the government (Lao PDR 2003). The new law also attempted to enshrine concepts of performance management and accountability in the public sector, 'including provisions to curb nepotism and corrupt practices and output-based performance evaluations.' (Lao PDR, UNDP, UNCDF 2004, p. 4)

The most significant change to occur to the LFTU during this time was an enormous increase in membership, to around 100,000 in 2006 (Panysith Thammavongsa 2006). Prior to 2000, membership was restricted to civil servants and employees of SOEs, but the 2000 Congress extended eligibility to private sector employees. To date, the union has made few inroads into private sector recruitment. For example, in the garment sector, on 21 of 54 foreign-owned factories have an LFTU union. (ICFTU 2004)

Otherwise, as noted, the role and status of the union remains unchanged: it is not an independent union, but rather a subordinate element of the state apparatus; it is the sole legal union body in Laos; it is financed by the state and its officials are civil servants; its congresses and leadership elections all take place with the authorisation of the LPRP; LFTU representatives are usually LPRP members or part of the management of state-run companies; and it has a number of top-down political and production functions.

In terms of traditional trade union activities, unions may only 'present claims' and 'negotiate' and have no right to conduct collective bargaining. I am not aware of any reports of collective bargaining in Laos. However, the LFTU claims that it is active in pursuing grievance cases on behalf of its membership (ILO 2001) and even referring cases to the Labour Court in 2004. The LFTU also represents workers in tripartite structures such as the Social Security Board (Fesspore 2004) and in consultations with the Minister of Finance and representatives of employers over increases in the minimum wage to reflect changes in prices (Bourdet 2000).

In 1989 an official employer association, the Lao National Chamber of Commerce and Industry was established through legal decree and is officially charged with representing business and industry interests in Lao PDR. The LNCCI also has 17 industry groups and five sub-associations for handicrafts, hotels, restaurants, coffee and textiles (LNCCI 2005). These organisations do not engage in collective bargaining and the LNCCI 'still does not have a significant role in social policy.' (ILO 2001) However, at least one of the sectorial associations, the Textile and Garment Industry Association, has been lobbying the government for amendments to labour law (Pansivongsay 2005).

In 1993, a state agency, the Department of Labour, was created with responsibility for labour administration, although according to the ILO its effectiveness is limited. (ILO 2001).

An indication of the extent to which Laos has moved towards market-based wages system during the contemporary era was provided by a recent UN analysis of nineteen key characteristics of a centrally planned and advanced market economies: the only item on which Laos scored a perfect ten out ten for being 'market based' was 'wages' (UNIDO 2003, p. 13).

## CONCLUSION

This paper has emphasised the key changes that have occurred over time to employment relations in Laos and has argued that three transformations have occurred. However, there have been significant elements of continuity in industrial relations over both the whole of the period of in question and between particular eras. Thus, despite over one hundred years of change, Laos remains a poor, predominantly agrarian society in which waged workers comprise a minority of labour force. At no stage in its history has there been free, collective bargaining.

There can be little doubt, however, even using even the most stringent definitions and criteria of 'transformation', such as that of Dunlop, that the transition to socialism in 1975 resulted in the transformation of Lao industrial relations. The nature, identity and strategies of all the parties changed. The other two transformations are somewhat more controversial. It could be said that there was no transformation from colonial model to RLG model because the former system was insufficiently developed to constitute a system at all and that subsequent developments during the RLG era were mere adaptations of the former system. However, the lack of development in the colonial period was at least partly due to a strategy of the leading party, the state. Once the nature of the state changed, with self-rule, so too did the state strategy and the nature of the system. The third transformation is also somewhat controversial. There have been significant developments, to be sure, but some key aspects remain unchanged: the authoritarian nature of the state regime; the lack of free trade unionism; and the absence of collective bargaining. However, using the criteria of Erickson and Kuruvilla, it must be said that on each of the transitions, the deep structure of the Lao industrial relations system has been changed. This is particularly so in relation to the attitudes towards and definitions of property rights in the workplace'; 'employer/employee relative status'; and 'changes in the essence of employer, union and government strategies.'

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